

**SUMMARIZED MINUTES
CITY OF SCOTTSDALE AUDIT COMMITTEE
THURSDAY, MARCH 1, 2007**



**City Hall Kiva Conference Room
3939 N. Drinkwater Blvd
Scottsdale, AZ 85251**

MEMBERS PRESENT: Committee Chairman Jim Lane
Wayne Ecton, Committee Member
Ron McCullagh, Committee Member

CITY STAFF PRESENT: Gail Crawford, Internal Auditor
Kyla Anderson, Audit Associate
Cheryl Dreska, City Auditor
Ramon Ramirez, Senior Auditor
Stella Fusaro, Senior Auditor
Monica Thomas, Internal Auditor
Neal Shearer, Assistant City Manager
Lisa Murphy, Accounting Director
Laura Fanning, Accounting Manager

CALL TO ORDER/ROLL CALL

Chairman Lane called the Audit Committee meeting to order at 10:05 a.m. Roll call was taken confirming the presence of all Committee members.

MINUTES - Approval of February 12, 2007, Committee Meeting Minutes

Committee Member Ecton made a motion to approve the February 12, 2007, minutes. Committee Member McCullagh seconded the motion. The minutes were approved by a unanimous vote of three (3) to zero (0).

GENERAL BUSINESS

Agenda Item 1 - Discussion, consideration, and possible action on the Audit Plan for calendar year 2007.

City Auditor Ms. Cheryl Dreska noted that the Audit Plan presented and discussed at the last two meetings was included in the packets. In response to the Committee's request at the last meeting, she distributed a list of project hours for the last calendar year and a revised, prioritized Audit Plan based on a revision of the staff hours available for the next calendar year. Ms. Dreska explained that this is the same list reviewed earlier, but has

been prioritized. The last page lists projects that staff recommend postponing based on Committee discussions and recent changes in the Human Resources Department.

Committee Member Ecton appreciated the reevaluation of hours. He noted that many of last year's projects took almost double the time estimated and inquired whether staff factored that into the proposal for this year.

Ms. Dreska replied that she adjusted the time estimates. Last year, new staff came on board and she feels that this year comparable audits will not take as long to complete. She noted other jobs are estimates because until an audit begins there are many unknowns. In a further exchange with Committee Member Ecton, Ms. Dreska outlined the process staff engage in to arrive at the Audit Plan. She added that some of the projects are recommended to be postponed because it now appears that the open position will be vacant for approximately six months.

Chairman Lane stated that the Committee is looking for reasonable estimates in order to allocate staffing time. This is a good indication of how accurate the projections are. He noted that some of the estimates are surprisingly close to the actual time taken. Once an audit is started, it should be completed thoroughly even if that means taking more time. Therefore, it would be a mistake to put too much emphasis on the discrepancies between estimates and actual audit times. Ms. Dreska reviewed how time is charged to particular projects. In response to a question by Chairman Lane, she explained how she adjusted the staff hours available for audits to 9,000 for 2007. She noted that last year's peer review and ensuing destruction of records per the records retention policy took up a significant amount of time.

Committee Member McCullagh inquired whether any of the audits proposed for 2007 had been performed previously. Ms. Dreska reviewed the list.

In reply to a question from Committee Member McCullagh, Ms. Dreska reviewed her staff's participation on various City committees such as the Employee Benefits Communication Team and the Technology Team. She also described the arrangements for the peer review process.

Committee Member Ecton made a motion to recommend the 2007 Audit Plan as presented to City Council. Committee Member McCullagh seconded the motion, which carried unanimously by a vote of three (3) to zero (0).

Agenda Item 2 - Discuss and consider language in draft pamphlet prepared by the Auditor's Office for distribution to staff as part of outreach efforts.

Chairman Lane noted that the Committee is considering this draft pamphlet a second time. Ms. Dreska stated she has not yet incorporated any suggestions based on the last Audit Committee meeting, but plans to do so.

Committee Member Ecton suggested the following wording for the paragraph above "where do I go if I need help?" on page 5:

The Audit Committee reviews the final draft to obtain a clear understanding of the report and management responses. The Audit Committee has no authority to revise the report or give direction to staff. The report is then sent to Graphics for printing.

He would like to make it very clear that the Audit Committee cannot make changes to a report.

Chairman Lane recalled an occasion when the Audit Committee felt there was insufficient clarity in the resolutions. He asked Committee Member Ecton whether the Committee would be precluded from giving direction to staff in these circumstances. Committee Member Ecton replied that if the Committee Members do not understand the report, they can ask staff for clarification. Discussion ensued. Ms. Dreska offered to take Committee Member Ecton's suggestion and develop proposed wording based upon today's discussion.

Committee Member Ecton asked how often it happens that auditors start working on a project and then discover that a full audit is not required. Ms. Dreska replied that this occurs occasionally. In fact, a proposed audit of open records has been removed from the 2007 Audit Plan because preliminary work indicates there is nothing to audit. She mentioned other examples from prior years, explaining that staff test internal controls to be certain that an audit is not needed.

Committee Member Ecton opined that the draft is a good document. Chairman Lane concurred. Ms. Dreska suggested tabling a motion to approve until the revisions are complete.

Agenda Item 3 - Discussion, consideration, and possible action on process to follow for hiring Deputy City Auditor.

Ms. Dreska stated that the intention is that the person hired as Deputy City Auditor would be capable of taking her place if she were unable to continue as City Auditor. She asked the Committee what role they would like to have in the hiring process. She suggested setting up an interview panel to screen the applicants, develop interview questions, select the finalists, and asked the Committee Members if they wish to participate.

Committee Member Ecton replied he has mixed emotions. This practice is not followed with other City offices. Chairman Lane stated that this has happened in the past in situations where there is a significant amount of interplay between Councilmembers and the staff person. If she would like their input that would be appropriate and he would advocate for that. He agreed with Committee Member Ecton that they are not in a position to request participation. Committee Member Ecton agreed that if Ms. Dreska asked the Committee to participate, that would be appropriate. Committee Member McCullagh noted that typically Councilmembers are not involved in hiring decisions. He opined that it would be fine for the Chairman to meet some of the finalists. Committee Member Ecton concurred.

Mr. Shearer interjected that an informal opportunity for Councilmembers to meet applicants will not give the impression that Councilmembers are involved in the formal selection process.

Committee Member Ecton added that he would like to suggest areas that Chairman Lane should be exploring in the informal meetings. He requested that this topic be put on the agenda for discussion of any suggestions in order to avoid running foul of the Open Meeting Law.

PUBLIC COMMENTS

None.

COMMITTEE COMMENTS

None.

ADJOURNMENT

With no further business to discuss, Committee Member McCullagh made a motion to adjourn the public meeting of the Audit Committee. Committee Member Ecton seconded the motion and the motion carried. The Audit Committee meeting was adjourned at 10:41 a.m.

Submitted by

Reviewed by

A/V Tronics, Inc.

Cheryl Dreska
City Auditor